

**DOLLAR BAY-TAMARACK CITY AREA SCHOOLS**  
**DOLLAR BAY, MICHIGAN**

**AUDITED FINANCIAL STATEMENTS AND**  
**SUPPLEMENTAL INFORMATION**

**June 30, 2007**

## **DOLLAR BAY-TAMARACK CITY AREA SCHOOLS**

**JUNE 30, 2007**

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### **ADMINISTRATION**

Superintendent .....	Jan Quarless
Principal .....	William Tarbox

### **BOARD OF EDUCATION**

President .....	Richard Nye
Vice President .....	Dallas Bond
Treasurer .....	Donna Engman
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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Education  
Dollar Bay-Tamarack City Area Schools  
Dollar Bay, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dollar Bay-Tamarack City Area Schools as of and for the year then ended June 30, 2007, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Dollar Bay-Tamarack City Area Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Michigan School Auditing Manual*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Dollar Bay-Tamarack City Area Schools as of June 30, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 24, 2007 on our consideration of Dollar Bay-Tamarack City Area Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 9 through 15 and 35, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express any opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Dollar Bay-Tamarack City Area Schools' basic financial statements. The additional information on pages 37 to 44 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subject to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Bruce A. Rukkila, CPA, PC*

Certified Public Accountants

September 24, 2007



Bruce A Rukkila, CPA, PC



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Education  
Dollar Bay-Tamarack City Area Schools  
Dollar Bay, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dollar Bay-Tamarack City Area Schools as of and for the year then ended June 30, 2007, which collectively comprise Dollar Bay-Tamarack City Area Schools' basic financial statements and have issued our report thereon dated September 24, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Dollar Bay-Tamarack City Area Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Dollar Bay-Tamarack City Area Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Dollar Bay-Tamarack City Area Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Dollar Bay-Tamarack City Area Schools' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Dollar Bay-Tamarack City Area Schools' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Dollar Bay-Tamarack City Area Schools' financial statements is more than inconsequential and will not be prevented or detected by Dollar Bay-Tamarack City Area Schools' internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Dollar Bay-Tamarack City Area Schools' internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the school district's board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Bruce A. Rukhila, CPA, PC*

Certified Public Accountants

September 24, 2007



This section of Dollar Bay-Tamarack City Area School's annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2007. Please read it in conjunction with the School District's financial statements, which immediately follows this section.

### **Financial Highlights**

Significant progress was made by the district this year. A large increase in student enrollment and other factors resulted in the first positive fund balance since 2000. This was also a result of difficult decisions by administration for a complete freeze of all staff salaries during the previous year. Return of the business manager within the district was also a contributing factor.

Continued use of competitive bid savings for supplies and administrative staff assuming duties without additional pay also contributed to cost savings. Sound fiscal management projects continued progress throughout the year and will continue in the future.

### **Overview of the Financial Statements**

The annual report consists of a series of financial statements including other requirements as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consists of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the District as a whole and represent an overall view of the District's finances.

#### *Statement of Net Assets and the Statement of Activities*

These statements provide information that help determine how the District is doing financially as a result of the year's activities. The statements are shown using a full accrual basis.

The District's net assets and the changes in the net assets during the year are reported by these two statements. Increases or decreases in the District's net assets is one way to determine if the financial position of the District is improving or deteriorating. However, non-financial factors will need to be considered as well to determine the overall financial position of the District.

- The Statement of Fiduciary Net Assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## **Overview of the Financial Statements - Continued**

- Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. These statements also report the District's operations in more detail than the Government-wide Financial Statements by providing information about the most significant funds.

The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the District's major instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Debt Retirement Funds, School Food Service, and Athletic Funds.

Major Funds: Under GASB Statement 34, the audit focus has shifted from type of governmental fund to major funds. Major funds are the largest funds in terms of assets, liabilities, revenues or expenses/expenditures. This allows the reader to see more detailed activity of the major funds. For the District, the General Fund and Debt Retirement Fund meet this requirement

Non-major Funds: In the basic financial statements, non-major funds are consolidated into one column. These are smaller funds. Detailed information about non-major funds can be found after the notes to the financial statements.

- Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Required supplementary information, other than Management Discussion and Analysis, provides information about the required budgetary comparison information on the General Fund.
- Other supplementary information provides detailed information about the General, Debt, School Food Service and Athletic Funds.

**Dollar Bay-Tamarack City Area Schools**  
**Management's Discussion and Analysis**  
**June 30, 2007**

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**Summary of Net Assets**

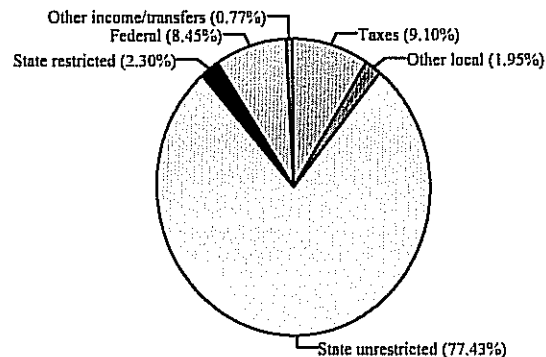
	2007	2006
<b>Assets</b>		
Current and other assets	\$ 561,316	\$ 788,891
Restricted investments	53,767	45,886
Capital assets - Net of accumulated depreciation	2,974,453	3,055,787
Total Assets	<u>\$ 3,589,536</u>	<u>\$ 3,890,564</u>
<b>Liabilities</b>		
Current liabilities	\$ 650,782	\$ 1,035,281
Long-term liabilities	2,576,802	2,757,105
Total Liabilities	<u>3,227,584</u>	<u>3,792,386</u>
<b>Net Assets</b>		
Invested in capital assets - net of related debt	352,432	243,302
Restricted	72,669	103,623
Unrestricted	(63,149)	(248,747)
Total net assets	<u>361,952</u>	<u>98,178</u>
Total Liabilities and Net Assets	<u>\$ 3,589,536</u>	<u>\$ 3,890,564</u>

**Results of Operations in Governmental Activities**

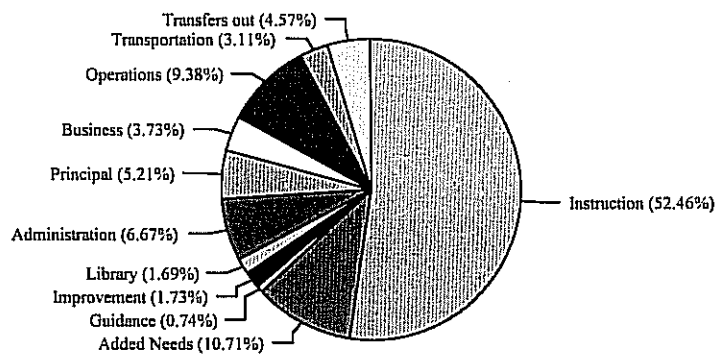
	2007	2006
<b>Program Revenue:</b>		
Charges for services	\$ 41,152	\$ 32,402
Grants and contributions	338,677	374,736
<b>General Revenue:</b>		
Property taxes	496,310	451,424
State foundation allowance	1,949,234	1,735,540
Other	26,789	48,463
Total Revenue	<u>2,852,162</u>	<u>2,642,565</u>
<b>Functions/Program Expenses</b>		
Instruction	1,522,433	1,445,928
Support services	781,055	721,938
School food services	110,916	94,355
Athletics	57,863	45,955
Interest on long-term debt	135,167	234,217
Other debt	(19,046)	225
Total Expenses	<u>2,588,388</u>	<u>2,542,618</u>
Change in Net Assets	263,774	99,947
Net Assets - Beginning	98,178	(1,769)
Net Assets - Ending	<u>\$ 361,952</u>	<u>\$ 98,178</u>

The following charts highlight the District's General Fund activities:

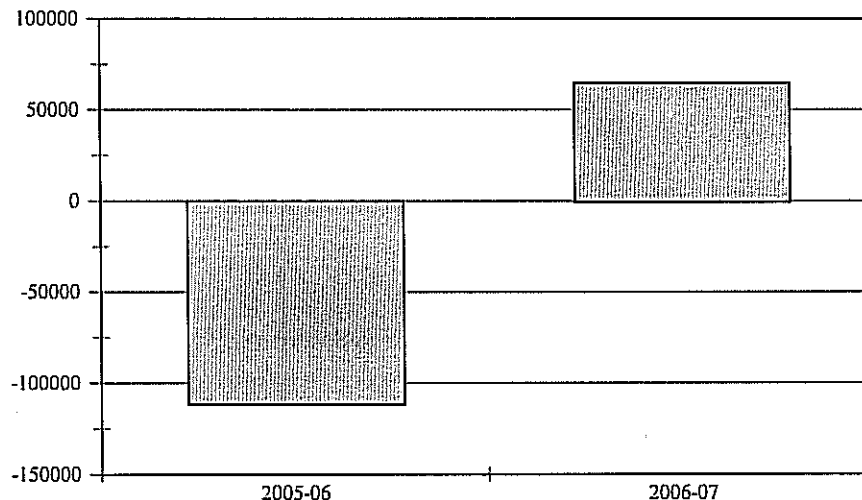
### 2006-07 Revenues



### 2006-07 Expenditures



### Fund Balance Comparison



**Dollar Bay-Tamarack City Area Schools**  
**Management's Discussion and Analysis**  
**June 30, 2007**

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**Significant Transactions and Changes in Individual Funds**

The overall financial position of the individual Governmental funds of the District did change significantly from the previous year. A comparison of revenues/transfers, expenditures/transfers and fund balances is as follows:

	<u>Current Year</u>	<u>Prior Year</u>	<u>Change</u>
General Fund:			
Revenues/Transfers	\$ 2,517,547	\$ 2,299,380	\$ 218,167
Expenditures/Transfers	\$ 2,342,321	\$ 2,200,772	\$ 141,549
Fund Balance	\$ 64,706	\$ (110,520)	\$ 175,226
Debt Retirement Fund:			
Revenues/Transfers	\$ 275,631	\$ 258,537	\$ 17,094
Expenditures/Transfers	\$ 306,585	\$ 209,877	\$ 96,708
Fund Balance	\$ 72,669	\$ 103,623	\$ (30,954)
School Food Service Fund:			
Revenues/Transfers	\$ 112,781	\$ 90,387	\$ 22,394
Expenditures/Transfers	\$ 110,916	\$ 94,355	\$ 16,561
Fund Balance	\$ 3,775	\$ 1,910	\$ 1,865
Athletic Fund:			
Revenues/Transfers	\$ 53,363	\$ 50,455	\$ 2,908
Expenditures/Transfers	\$ 57,863	\$ 45,955	\$ 11,908
Fund Balance	\$ 0	\$ 4,500	\$ (4,500)

General Fund - The most significant factor that impacted the revenues was the increase in student enrollment of 20 students. Expenditures continue to grow with the teaching and staff salary increases. The significant rise in electric and fuel expenses along with the repairs of old buses also contributed to the increased expenses.

School Food Service Fund - The cost for student lunch and ala carte lunches were increased to provide additional revenue, however, most of the additional revenue was used to cover the cost of staff increases, supplies, and equipment.

Athletic Fund - The admission cost for athletic events was increased to generate additional revenue. However, replacement equipment and uniforms contribute to the increased expenditures.

Debt Service Fund - Normal increase in property values contribute to the increase in revenue. An additional payment made to reduce debt resulted in expenses being higher than prior year.

**Dollar Bay-Tamarack City Area Schools**  
**Management's Discussion and Analysis**  
**June 30, 2007**

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**General Fund Budgetary Highlights**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the annual budget prior to the start of the fiscal year in July. Any amendments to the original budget must be approved by the Board prior to the close of the fiscal year on June 30.

For the fiscal year ended June 30, 2007, the original budget was adopted on June 26, 2006. Since the original budget is adopted two months before school is in session, we often have many unknowns such as the number of students we will have for the year. Since much of the District's revenue is determined based on the number of students enrolled, this unknown could have a significant impact on the budget. Often there are a number of unforeseen events that occur throughout the year that impact the budget and/or cause budget variances. Therefore, the District amended its budget twice during the fiscal year.

	Original Budget	Final Budget	Actual	Variance with final budget	% Variance
Revenues	\$ 2,363,175	\$ 2,536,033	\$ 2,498,097	\$ (37,936)	-1.5%
Expenditures					
Instruction	\$ 1,508,692	\$ 1,536,535	\$ 1,479,710	\$ 56,825	3.8%
Supporting services	692,554	763,280	755,451	7,829	1.0%
Total expenditures	\$ 2,201,246	\$ 2,299,815	\$ 2,235,161	\$ 64,654	2.9%
Other financing sources (uses)	\$ (100,610)	\$ (98,393)	\$ (87,710)	\$ (10,683)	12%

Initially, there was an expected increase in State Aid. However, during the year that expectation turned into a decrease in State Aid and resulted in many budget changes. Since this issue was not resolved until the Spring of 2007, the revenues and consequently the expenditures were impacted.

**Capital Assets and Debt Administration**

Capital Assets: There was a net decrease of \$27,362 due to the disposal of a school bus. There were no purchases for the fiscal year 2006-2007.

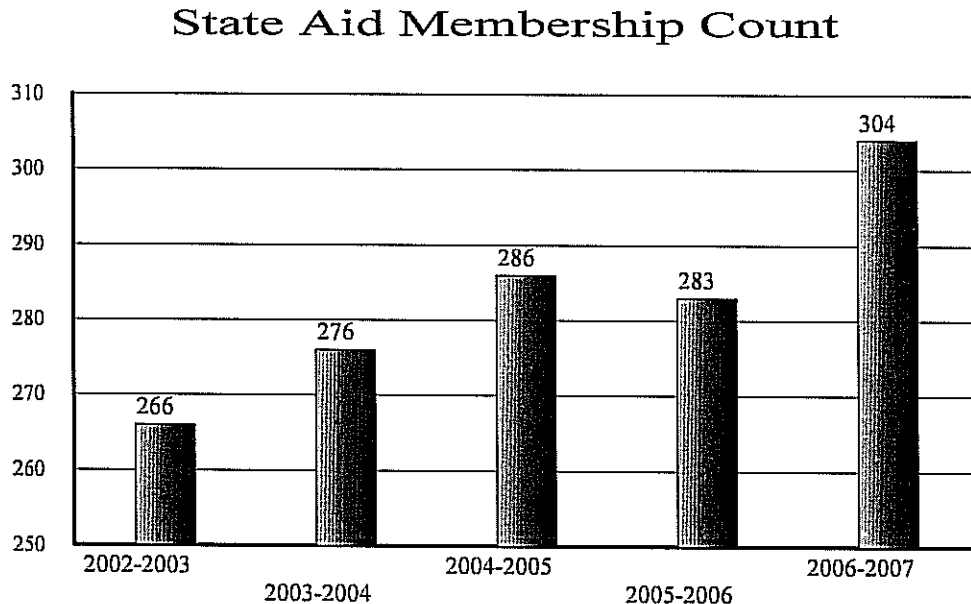
Additional information on capital assets can be found on page 27.

Long-term Debt: At the end of the current fiscal year, the District's total debt was \$2,696,922. This total amount is backed by the full faith and credit of the District. The District's total debt was decreased by \$148,046 during the fiscal year.

Additional information on the District's long-term debt can be found on pages 28 through 30 of this report.

**Known Facts, Decisions, or Conditions Having Significant Affect on Future Operations**

The graph depicts 6.91% increase in the number of students enrolled from the previous year, using the State Aid Membership Count.



Our elected officials and administration consider many factors when setting the School District's fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil.

State revenues received by Michigan school districts are approved annually in the State Aid Act. This Act, approved by the State Legislature, provides a foundation amount (amount per student) of 7,085 for the 2007-08 school year. Currently, this remains the same as the 2006-07 foundation amount.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Dollar Bay-Tamarack City Area Schools.

**DOLLAR BAY-TAMARACK CITY AREA SCHOOLS**  
**STATEMENT OF NET ASSETS**  
**June 30, 2007**

	Governmental Activities
ASSETS:	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 29,127
Investments	142,481
Taxes receivable	23,533
Accounts receivable	18,703
Due from other governmental units	347,472
TOTAL CURRENT ASSETS	<u>561,316</u>
NON-CURRENT ASSETS:	
Restricted cash	53,767
Total Restricted Assets	<u>53,767</u>
Capital assets	3,759,010
Less: Accumulated depreciation	<u>(784,557)</u>
Net Capital Assets	<u>2,974,453</u>
TOTAL NON-CURRENT ASSETS	<u>3,028,220</u>
TOTAL ASSETS	<u>\$ 3,589,536</u>
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	\$ 150,742
Accrued expenses	212,843
Accrued retirement	38,250
Accrued interest	28,599
Due to other governmental units	66,846
Short-term note payable	43,502
Bonds payable within one year	110,000
TOTAL CURRENT LIABILITIES	<u>650,782</u>
NON-CURRENT LIABILITIES:	
Bonds payable, due in more than one year	2,235,000
Accrued retirement and vacation	93,380
School bond loan fund payable	<u>248,422</u>
TOTAL NON-CURRENT LIABILITIES	<u>2,576,802</u>
TOTAL LIABILITIES	<u>3,227,584</u>
NET ASSETS:	
Invested in capital assets, net of related debt	352,432
Restricted for debt service	72,669
Unreserved	<u>(63,149)</u>
TOTAL NET ASSETS	<u>361,952</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,589,536</u>

The accompanying notes to financial statements are an integral part of this statement.



**DOLLAR BAY-TAMARACK CITY AREA SCHOOLS**  
**STATEMENT OF ACTIVITIES**  
**June 30, 2007**

	<u>Program Revenues</u>			<u>Governmental Activities</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
<b><u>FUNCTIONS/PROGRAMS</u></b>				
Government Activities:				
Instruction and instructional support	\$ 1,522,433	\$ -	\$ 270,581	\$ (1,251,852)
Support services	781,055	-	-	(781,055)
School service	110,916	29,136	68,096	(13,684)
Athletics	57,863	12,016	-	(45,847)
Interest on long-term debt	135,167	-	-	(135,167)
Other debt service	(19,046)	-	-	19,046
Total Governmental Activities	<u>\$ 2,588,388</u>	<u>\$ 41,152</u>	<u>\$ 338,677</u>	<u>(2,208,559)</u>
General Revenues:				
Property taxes, levied for general operations				229,196
Property taxes, levied for debt service				267,114
State school aid - unrestricted				1,949,234
Interest and investment earnings				19,366
Other				41,407
Transfers				<u>(33,984)</u>
Total general revenues and transfers				<u>2,472,333</u>
Change in Net Assets				263,774
Net Assets - Beginning				<u>98,178</u>
Net Assets - Ending				<u>\$ 361,952</u>

The accompanying notes to financial statements are an integral part of this statement.

**DOLLAR BAY-TAMARACK CITY AREA SCHOOLS**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**June 30, 2007**

	<u>General</u>	<u>Debt Service Fund</u>	<u>Other Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 28,756	\$ -	\$ 371	\$ 29,127
Investments	142,481	-	-	142,481
Taxes receivable	11,365	12,168	-	23,533
Accounts receivable	15,704	-	2,999	18,703
Due from other governmental units	339,962	6,734	776	347,472
Due from other funds	-	-	4,470	4,470
Restricted cash	-	53,767	-	53,767
TOTAL ASSETS	<u>\$ 538,268</u>	<u>\$ 72,669</u>	<u>\$ 8,616</u>	<u>\$ 619,553</u>
<b>LIABILITIES:</b>				
Accounts payable	\$ 145,901	\$ -	\$ 4,841	\$ 150,742
Accrued expenses	212,843	-	-	212,843
Due to other governmental units	66,846	-	-	66,846
Due to other funds	4,470	-	-	4,470
Short-term notes payable	43,502	-	-	43,502
TOTAL LIABILITIES	<u>473,562</u>	<u>-</u>	<u>4,841</u>	<u>478,403</u>
<b>FUND BALANCES:</b>				
Reserved	-	72,669	-	72,669
Unreserved	64,706	-	3,775	68,481
TOTAL FUND BALANCES	<u>64,706</u>	<u>72,669</u>	<u>3,775</u>	<u>141,150</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 538,268</u>	<u>\$ 72,669</u>	<u>\$ 8,616</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,974,453
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	(2,725,052)
Accrued interest is not included as a liability in governmental funds.	(28,599)
Net assets of governmental activities	<u>\$ 361,952</u>

The accompanying notes to financial statements are an integral part of this statement

**DOLLAR BAY-TAMARACK CITY AREA SCHOOLS**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**Year Ended 2007**

	General Fund	Debt Service Fund	Other Non-major Governmental Funds	Totals
<b>REVENUES</b>				
Local sources	\$ 278,282	\$ 275,631	\$ 44,322	\$ 598,235
State sources	2,007,111	-	6,321	2,013,432
Federal sources	212,704	-	61,775	274,479
<b>TOTAL REVENUES</b>	<b>2,498,097</b>	<b>275,631</b>	<b>112,418</b>	<b>2,886,146</b>
<b>EXPENDITURES</b>				
Instruction	1,467,244	-	-	1,467,244
Supporting services	767,917	-	-	767,917
Debt service	-	196,585	-	196,585
School service	-	-	110,916	110,916
Athletics	-	-	57,863	57,863
<b>TOTAL EXPENDITURES</b>	<b>2,235,161</b>	<b>196,585</b>	<b>168,779</b>	<b>2,600,525</b>
Excess (deficiency) of revenue over expenditures	262,936	79,046	(56,361)	285,621
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in (out)	(53,726)	-	53,726	-
Incoming transfers - other schools	19,450	-	-	19,450
Transfers to other districts	(53,434)	-	-	(53,434)
Loan payments	-	(110,000)	-	(110,000)
Total other financing sources (uses)	(87,710)	(110,000)	53,726	(143,984)
<b>NET CHANGE IN FUND BALANCE</b>	<b>175,226</b>	<b>(30,954)</b>	<b>(2,635)</b>	<b>141,637</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>(110,520)</b>	<b>103,623</b>	<b>6,410</b>	
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 64,706</b>	<b>\$ 72,669</b>	<b>\$ 3,775</b>	

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds do not record depreciation but does report capital outlays as expenditures; in the statement of activities, these costs are capitalized and allocated over their estimated useful lives as depreciation (81,334)

Accrued expenses are recorded in the statement of activities when incurred; it is not reported in governmental funds until paid 74,425

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 129,046

Change in net assets of governmental activities \$ 263,774

The accompanying notes to financial statements are an integral part of this statement.

**DOLLAR BAY-TAMARACK CITY AREA SCHOOLS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2007**

	<u>Fiduciary Fund</u>
ASSETS:	
Cash and investments	\$ <u>27,004</u>
LIABILITIES:	
Due to student groups	\$ <u>27,004</u>

The accompanying notes to financial statements are an integral part of this statement.

**DOLLAR BAY-TAMARACK CITY AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2007**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Dollar Bay-Tamarack City Area Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant District accounting policies are described below.

**REPORTING ENTITY**

Dollar Bay-Tamarack City Area Schools (the "District") is governed by the Dollar Bay-Tamarack City Area School Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United State of America. Board members are elected by the public and have decision-making authority, the power to designated management, the ability to significantly influence operations, and the primary accountability for fiscal manners. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement Numbers 14 and 39.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues and are reported as general revenues.

In the government-wide statement of net assets, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted for debt service; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues and other revenues). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenue must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The District does allocate indirect costs.

The government-wide focus is more on the sustain ability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

**DOLLAR BAY-TAMARACK CITY AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2007**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government unit.

Fiduciary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Debt Retirement Fund - The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Other non-major funds:

Special Revenue Funds - Special Revenue Funds are used to account for the activities of specific school service revenue sources such as the School Food Service and Athletic Activities.

Fiduciary Funds - The Trust and Agency Fund is used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. This fund is used to account for assets that the District holds for others in an agency capacity (primary student activities).

Fiduciary funds are not included in the government-wide statements.

Accrual Method

The government-wide financials statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**DOLLAR BAY-TAMARACK CITY AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2007**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION**

Modified Accrual Method

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is done.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2007, the foundation allowance was based on pupil membership counts taken in February and September of 2006.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2006 to August 2007. Thus, the unpaid portion at June 30<sup>th</sup> is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

*Other Accounting Policies*

Cash and cash equivalents

Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and No. 40, Deposits and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standard also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

**DOLLAR BAY-TAMARACK CITY AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2007**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Michigan law authorizes the District to deposit and invest in:

1. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bill or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
2. Certificates of deposits issued by the State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
3. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
4. Securities issued or guaranteed by agencies or instrumentalities of the United States, United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.
5. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
6. Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

Property Taxes

Property taxes levied by the District are collected by Osceola Township and Torch Lake Township and are periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and becomes a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2007, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund - Non-homestead	18.00
Debt service fund - Homestead and non-homestead	7.83

Receivables and Payables

Activity between funds are reported as "due to/from other funds." All receivables, including property taxes receivable, are shown net of allowance for uncollectibles.

Inventory

All funds utilize the purchase method of recording inventories of materials and supplies. Under the purchase method, inventories are recorded as expenditures when they are purchased.

Capital Assets

Capital assets, which include land, buildings, equipment, site improvements, and vehicles are reported in the applicable governmental activities column in the government-wide financial statements. Fixed assets are defined by the government as assets with an initial individual cost of more than \$3,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair & maintenance that do not add to the value or materially extend asset lives are not capitalized.



**DOLLAR BAY-TAMARACK CITY AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2007**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-10 years

Accrued Benefits

The liabilities for accrued benefits reported in the district-wide statements in the amount of \$160,229 consisted of unused vacation, accrued interest, and retirement incentives.

Vacation - Non-affiliated staff accrued vacation as of June 30, 2007 is \$28,130.

Accrued interest as of June 30, 2007 is 28,599.

Retirement Incentive - The District's contract with the Copper Country Education Association includes a retirement incentive payment to retiring teachers. Total retirement incentive as of June 30, 2007 is 103,500. Detail of the liability is located on page 30.

Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Reclassification

Certain items in the prior year financial statements have been reclassified to conform with the current year presentation.

**NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

The School District follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. A public hearing is held to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978) enacted at a regular meeting by School Board approval. The Act provides that a local unit shall not incur expenditures in excess of the amount appropriated.
4. During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.
5. Budget appropriations lapse at the end of the fiscal year.

In the body of the financial statements, the School's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. Violations, if any, for the general fund are noted in the required supplementary information section.

**DOLLAR BAY-TAMARACK CITY AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2007**

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**NOTE C - CASH AND INVESTMENTS**

As of June 30, 2007 the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>	<u>%</u>
MILAF - MIMAX	<u>\$ 142,481</u>	AAA	<u>100.00%</u>

**Interest Rate Risk** - In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

**Credit Risk** - State law limits investments in commercial paper corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

**Concentration of Credit Risk** - The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial Credit Risk - Deposits** - In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2007, none of the District's bank balance of \$146,704 was exposed to custodial credit risk because it was all insured.

**Custodial Credit Risk - Investments** - For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

At year-end, the School District's cash deposits (checking, savings and certificates of deposit) and investments were reported in the basic financial statements in the following categories and breakdown between deposits and investments for the School District is as follows:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Unrestricted cash	\$ 29,127	\$ 0	\$ 29,127
Restricted cash	53,767	27,004	80,771
Total cash and cash equivalents	<u>82,894</u>	<u>27,004</u>	<u>80,771</u>
Investments	142,481	0	142,481
Total deposits and investments	<u>\$ 225,375</u>	<u>\$ 27,004</u>	<u>\$ 252,379</u>

**DOLLAR BAY-TAMARACK CITY AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2007**

**NOTE D - FIXED ASSETS**

Fixed Asset activity of the School District's governmental activities was as follows:

	Balance 06/30/06	Additions	Deletions	Balance 06/30/07
Land	\$ 1	\$ 0	\$ 0	\$ 1
Building and additions	3,532,869	0	0	3,532,869
Equipment and furniture	76,058	0	0	76,058
School buses	166,444	0	27,362	139,082
Vehicles other than buses	11,000	0	0	11,000
Subtotal	3,786,371	\$ 0	\$ 27,362	3,759,009
Accumulated depreciation:				
Building and additions	503,266	71,378	0	574,644
Equipment and furniture	71,373	2,812	0	74,185
School buses	147,696	5,769	27,362	126,103
Vehicle other than buses	8,250	1,375	0	9,625
	730,585	\$ 81,334	\$ 27,362	784,557
Net capital assets being depreciated	3,055,786			2,974,452
Net capital assets	\$ 3,055,787			\$ 2,974,453

Depreciation expense was charged to activities of the School District as follows:

Governmental activities	
Instruction	\$ 74,190
Operations	1,375
Transportation	5,769
Total governmental activities	\$ 81,334

**NOTE E - INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Amounts due from (to) other funds represent the balance of monies due from or to other funds for expenditures made or fund balance transfers approved. The amounts of inter-fund receivables and payables as of June 30, 2007 are as follows:

Fund	Inter-fund Receivable	Fund	Inter-fund Payable
General	\$ 0	General	\$ 4,470
Athletic	4,470	Athletic	0
	\$ 4,470		\$ 4,470
Fund	Transfer In	Fund	Transfer Out
General	\$ 0	General	\$ 53,726
Food Service	12,379	Food Service	0
Athletic	41,347	Athletic	0
	\$ 53,726		\$ 53,726

**DOLLAR BAY-TAMARACK CITY AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2007**

**NOTE F - LONG TERM DEBT**

2005 Advance Refunding

On April 27, 2005 the Authority issued \$2,455,000 of general obligation unlimited tax refunding bonds to advance refund \$2,350,000 of outstanding 1997 Building and Site bonds.

The bond issue matures as indicated below with interest at varying rates of 3.75% to 4.5% per annum. Interest payments started on November 1, 2005, and are payable semi-annually on May 1, and November 1 as indicated. The bonds are to be both term and serial.

Optional Redemption: Bonds of this issue maturing in the years 2007 through 2014, inclusive, are not subject to redemption prior to maturity. Bonds or portions of bonds in multiples of \$5,000 of this issue maturing in the years 2015 and thereafter, shall be subject to redemption prior to maturity, at the option of the School District, in such order as the School District may determine and by lot within any maturity, on the first day of any month on or after May 1, 2014, at par and accrued interest to the date fixed for redemption.

Mandatory Redemption: The Bonds maturing May 1, 2022, May 1, 2024 and May 1, 2027 are term bonds subject to mandatory redemption, in part, by lot. When term bonds are purchased by the School District and delivered to the paying agent for cancellation or are redeemed in a manner other than by mandatory redemption, the principal amount of the term Bonds affected shall be reduced by the principal amount of the bonds so redeemed or purchased in the order determined by the School District.

2005 Advance Refunding Schedule

Fiscal Year	November 1 Interest	May 1		Total
		Interest	Principal	
2007-2008	\$ 48,205	\$ 48,205	\$ 110,000	\$ 206,410
2008-2009	46,142	46,142	110,000	202,284
2009-2010	44,080	44,080	110,000	198,160
2010-2011	42,018	42,018	110,000	194,036
2011-2012	39,955	39,955	110,000	189,910
2012-2013	37,892	37,892	110,000	185,784
2013-2014	35,693	35,693	110,000	181,386
2014-2015	33,492	33,492	110,000	176,984
2015-2016	31,293	31,293	115,000	177,586
2016-2017	28,992	28,992	115,000	172,984
2017-2018	26,692	26,692	120,000	173,384
2018-2019	24,263	24,263	120,000	168,526
2019-2020	21,802	21,802	120,000	163,604
2020-2021	19,312	19,312	125,000	163,624
2021-2022	16,625	16,625	125,000	158,250
2022-2023	13,938	13,938	125,000	152,876
2023-2024	11,187	11,187	125,000	147,374
2024-2025	8,438	8,438	125,000	141,876
2025-2026	5,625	5,625	125,000	136,250
2026-2027	2,813	2,813	125,000	130,626
	<u>\$ 538,457</u>	<u>\$ 538,457</u>	<u>\$ 2,345,000</u>	<u>\$ 3,421,914</u>

**DOLLAR BAY-TAMARACK CITY AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2007**

**NOTE F - LONG-TERM DEBT (Continued)**

**SCHOOL BOND LOAN FUND**

In accordance with Act 108, Public Acts of Michigan, 1961, as amended, the State of Michigan can loan the school district funds to make debt payments if, for any reason, the district is unable to pay the principal and interest on bonds when due. At June 30, 2007, the balance due to the School Bond Loan Fund was \$260,265 including accrued interest of \$11,843.

The loans will be repaid from taxes levied for that purpose. Repayment will commence subsequent to the repayment of the School District's 2005 refunding bond issues. However, repayments shall be made earlier if taxes levied and collected in any particular year exceed those required to repay the bonds.

The interest rate associated with loans from the School Bond Loan Fund is established periodically by the State Administrative Board. The rate at June 30, 2007 was 4.75%.

**RETIREMENT PAYABLE**

The School District approved a retirement agreement with various employees. Twelve employees accepted the incentive with payments in installments over three to five years. Under the agreements, the School District pays each employee a monthly payment based on the agreed upon amounts. The amounts are paid in various monthly installments.

The payment schedule is as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2007-2008	\$ 38,250
2008-2009	31,500
2009-2010	27,000
2010-2011	6,750
Total	<u>\$ 103,500</u>

Activity in the general long-term obligations account group was as follows for the year ended June 30, 2007:

	<u>Balance</u> <u>June 30, 2006</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Current</u> <u>Portion</u>
2005 Refunding Bond	\$ 2,455,000	\$ 0	\$ 110,000	\$ 2,345,000	\$ 110,000
School Bond Loan	267,468	0	19,046	248,422	119,648
	<u>2,722,468</u>	<u>0</u>	<u>129,046</u>	<u>2,593,422</u>	<u>229,648</u>
Retirement Incentive	122,500	0	19,000	103,500	38,250
Accrued Interest	90,017	0	61,418	28,599	0
Accrued Benefits	22,137	5,993	0	28,130	0
TOTAL	<u>\$ 2,957,122</u>	<u>\$ 5,993</u>	<u>\$ 209,464</u>	<u>\$ 2,753,651</u>	<u>\$ 267,898</u>

**DOLLAR BAY-TAMARACK CITY AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2007**

**NOTE F - LONG-TERM DEBT (Continued)**

As of June 30, 2007, the aggregate maturities of long-term debt are as follows:

<u>School Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2007-2008	\$ 96,410	\$ 148,250	\$ 244,660
2008-2009	92,284	141,500	233,784
2009-2010	88,160	137,000	225,160
2010-2011	84,036	116,750	200,786
2011-2012	79,910	110,000	189,910
2012-2013	75,784	110,000	185,784
2013-2018	312,324	570,000	882,324
2018-2023	191,880	615,000	806,880
2023-2027	56,126	644,922	701,048
TOTAL	<u>\$ 1,076,914</u>	<u>\$ 2,593,422</u>	<u>\$ 3,670,336</u>

**NOTE G - NOTE PAYABLE**

During the year ended June 30, 2007, the School District borrowed funds from the Michigan Municipal Bond Authority for cash flow purposes.

<u>Purpose of Loan</u>	<u>Date Of Issue</u>	<u>Original Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>6/30/07 Balance</u>
Cash flow loan	08/18/06	<u>\$ 318,000</u>	08/20/07	2.92%	<u>\$43,502</u>

**NOTE H - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN**

Substantially all of the District's employees are eligible to participate in the statewide Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing public employee retirement system. Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment Plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. Employees first hired on or after January 1, 1990 will automatically be included in MIP.

Members in MIP may retire at any age after attaining thirty years of creditable service; or at age sixty with at least 10 years of credited service; or at age 60 with a minimum total of five years of creditable service and with credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the average of the highest total earnings during a period of thirty-six consecutive calendar months (three years) multiplied by total years to the nearest tenth of a year of credited service.

Employees who did not elect the MIP option fall under the MPERS Basic Plan and may retire after attaining age sixty with ten or more years of credited service; or attaining age fifty-five with thirty or more years of credited service; or attaining age fifty-five while still working at least fifteen but fewer than thirty years of credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five years) multiplied by the total years to the nearest tenth of a year of credited service.

**NOTE H - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)**

The MPSERS also provides death, disability, health, medical, dental, vision, and hearing insurance coverage. Benefits are established by state statute.

The District was required by the state statute to contribute 16.34% of covered compensation through September 30, 2006 and 17.74% of covered compensation to the Plan for the remainder of the year. The total amount contributed to the Plan for the year ended June 30, 2007 was \$210,339 and equal the required contributions.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employees' service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the MPSERS' fund status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among MPSERS and employers. The MPSERS does not make separate measurements of assets and pension benefit obligations for individual districts.

As of September 30, 2006 for the MPSERS as a whole, the actuarial accrued liability was \$48.2 billion. The pension plan net assets were \$43 billion, resulting in a ratio of assets at market value to the actuarial accrued liability of 89%. Employer contributions are based upon level-percent-of-payroll principles so that the contribution rates do not have to increase over decades of time. The District's 2007 contribution represented less than 1% of total contributions required of all participating entities.

Ten year historical trend information showing the MPSERS' progress in accumulating sufficient assets to pay benefits when due is presented in the MPSERS' September 30, 2006 annual report.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Retirees have the option of health coverage which is funded on a cash disbursement basis by the employees. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension.

Pension recipients are eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing Plan coverage with the following exceptions:

1. Retirees not yet eligible for Medicare coverage pay an amount equal to Medicare Part B premiums.
2. Retirees with less than 30 years of service, who terminate employment after October 31, 1980 with the vested deferred benefits are eligible for partially employer paid health benefit coverage (no payment if less than 21 years of service)

**DOLLAR BAY-TAMARACK CITY AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2007**

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**NOTE I - FOUNDATION REVENUE**

Effective as of fiscal year 1994-95 the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. The foundation allowance is based on the average of pupil membership counts taken in February and September of the previous year.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The school district levies 18.000 mills for non-homestead property taxes. State revenue recognized during the foundation period (currently the fiscal year) is as follows:

2006-07 Foundation	\$	7,085.00
Less Local Support:		
Non-Homestead Tax Value	12,743,503	
Multiplied by mills	<u>0.018</u>	
Total Local Support	229,383	
Divided by General Education K-12 membership	<u>304.33</u>	
Calculated Local Support		<u>(753.73)</u>
2006-07 Foundation Grant Allowance Per Pupil	\$	<u>6,331.27</u>

**NOTE J - RECONCILIATION OF R7120 TO REPORTED FEDERAL REVENUES**

The amounts reported as current payments on MDE grant reports by the State of Michigan reconcile with the federal revenue on the Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balances on page 19 as follows:

Current payments per MDE grant reports	\$	225,251
Less State School Breakfast Program		(2,515)
Less prior year account receivables:		
Comprehensive School Reform		(5,779)
Plus:		
Comprehensive School Reform accounts receivable		1,789
Title II accounts receivable		1,628
Title I accounts receivable		12,287
USDA Commodities		158
Direct Federal grants		41,661
Miscellaneous adjustment		(1)
Total Federal Financial Assistance	\$	<u>274,479</u>

The School District expended less than \$500,000 in Federal awards during the fiscal year ended June 30, 2007 and is exempt from Federal Single Audit requirements, thus a schedule of federal financial assistance was not prepared.



**DOLLAR BAY-TAMARACK CITY AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2007**

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**NOTE K - CONTINGENT LIABILITIES**

Risk Pool

Dollar Bay-Tamarack City Area Schools is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District was unable to obtain general liability insurance at a cost it considered to be economically justifiable. Dollar Bay-Tamarack City Area Schools joined together with other school districts currently operating a common risk management and insurance program. Dollar Bay-Tamarack City Area Schools pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event.

Dollar Bay-Tamarack City Area Schools continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The School District is unable to provide an estimate of the amounts of additional assessments.

The MASB-SEG Property & Casualty Pool has published its own financial report for the year ended June 30, 2007, which can be obtained through the School District.

**NOTE L - SUBSEQUENT EVENT**

School Loan Fund: On August 20, 2007, the School District entered into a note with the School Loan Fund. The principal amount and the interest rate on the note shall not exceed \$150,000 and 3.68% per annum, respectively. The note matures on August 20, 2008. The loan, which is pledged by future state aid payments, will provide funds for general operating expenditures.

**NOTE M - RECLASSIFICATION**

Certain reclassifications have been made to the 2006 financial statements to conform with the current year presentation.

**REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION**

**DOLLAR BAY-TAMARACK CITY AREA SCHOOLS**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**For the Year Ended June 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(GAAP Basis)</u>	<u>Final to Actual</u>
REVENUES:				
Local sources	\$ 249,465	\$ 263,563	\$ 278,282	\$ 14,719
State sources	1,901,317	2,033,122	2,007,111	(26,011)
Federal sources	212,393	239,348	212,704	(26,644)
TOTAL REVENUE	<u>2,363,175</u>	<u>2,536,033</u>	<u>2,498,097</u>	<u>(37,936)</u>
EXPENDITURES:				
Instruction	1,508,692	1,536,535	1,479,710	56,825
Supporting services	692,554	763,280	755,451	7,829
TOTAL EXPENDITURES	<u>2,201,246</u>	<u>2,299,815</u>	<u>2,235,161</u>	<u>64,654</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	161,929	236,218	262,936	26,718
OTHER FINANCING SOURCES (USES):				
Operating transfers out	(63,410)	(61,957)	(53,726)	8,231
Incoming transfers - other schools	15,000	19,000	19,450	450
Other outgoing transfers	(52,200)	(55,436)	(53,434)	2,002
Total other financing sources (uses)	<u>(100,610)</u>	<u>(98,393)</u>	<u>(87,710)</u>	<u>10,683</u>
NET CHANGE IN FUND BALANCE	<u>\$ 61,319</u>	<u>\$ 137,825</u>	175,226	<u>\$ 16,035</u>
FUND BALANCE - BEGINNING OF YEAR			<u>(110,520)</u>	
FUND BALANCE - END OF YEAR			<u>\$ 64,706</u>	

**OTHER SUPPLEMENTAL FINANCIAL INFORMATION**

**DOLLAR BAY-TAMARACK CITY AREA SCHOOLS**  
**GENERAL FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**Year Ending June 30, 2007**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2006</u>
<b>REVENUES:</b>				
Local sources:				
Taxes	\$ 217,567	\$ 229,196	\$ 11,629	\$ 199,798
Investments	11,115	11,243	128	11,406
Contributions	8,509	8,510	1	1,501
Miscellaneous	26,372	29,333	2,961	36,556
Total local sources	<u>263,563</u>	<u>278,282</u>	<u>14,719</u>	<u>249,261</u>
State sources:				
Unrestricted grants:				
State aid	1,967,442	1,949,234	(18,208)	1,735,540
Restricted grants:				
Driver's education	-	-	-	220
Special Education	19,000	11,220	(7,780)	24,955
School Readiness	-	-	-	807
At-risk	43,209	43,206	(3)	61,886
Other state revenue	3,471	3,451	(20)	-
Total state sources	<u>2,033,122</u>	<u>2,007,111</u>	<u>(26,011)</u>	<u>1,823,408</u>
Federal sources:				
Title I	52,294	50,498	(1,796)	52,294
Title V	57	712	655	-
Title II	19,270	13,741	(5,529)	19,921
REAP grant	20,222	20,222	-	18,723
Impact aid	17,445	17,445	-	18,697
Special education	-	-	-	3,760
Comprehensive school reform grant	126,067	106,092	(19,975)	109,779
Homeland security	-	-	-	2,537
MiBLSi grant	3,000	3,000	-	-
Service learning grant	993	994	1	1,000
Total federal sources	<u>239,348</u>	<u>212,704</u>	<u>(26,644)</u>	<u>226,711</u>
<b>TOTAL REVENUES</b>	<u>2,536,033</u>	<u>2,498,097</u>	<u>(37,936)</u>	<u>2,299,380</u>
<b>EXPENDITURES:</b>				
Instruction:				
Basic program:				
Elementary School	558,780	549,383	9,397	488,606
High School	716,172	679,411	36,761	643,773
Total basic program	<u>1,274,952</u>	<u>1,228,794</u>	<u>46,158</u>	<u>1,132,379</u>
Added needs:				
Special education	39,867	50,529	(10,662)	43,165
Compensatory education	178,443	157,113	21,330	167,658
At-Risk	43,273	43,274	(1)	68,287
Total added needs	<u>261,583</u>	<u>250,916</u>	<u>10,667</u>	<u>279,110</u>
Total instruction	<u>1,536,535</u>	<u>1,479,710</u>	<u>56,825</u>	<u>1,411,489</u>

**DOLLAR BAY-TAMARACK CITY AREA SCHOOLS**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**(Continued)**  
**Year Ending June 30, 2007**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2006</u>
Supporting services:				
Pupil:				
Guidance	<u>21,394</u>	<u>17,271</u>	<u>4,123</u>	<u>32,715</u>
Instructional staff:				
Improvement of instruction	<u>36,927</u>	<u>40,595</u>	<u>(3,668)</u>	<u>38,399</u>
Library	<u>40,328</u>	<u>39,650</u>	<u>678</u>	<u>33,747</u>
Total instructional staff	<u>77,255</u>	<u>80,245</u>	<u>(2,990)</u>	<u>72,146</u>
General administration:				
Board of education	<u>25,995</u>	<u>25,056</u>	<u>939</u>	<u>39,401</u>
Executive administration	<u>132,412</u>	<u>131,090</u>	<u>1,322</u>	<u>113,362</u>
Total general administration	<u>158,407</u>	<u>156,146</u>	<u>2,261</u>	<u>152,763</u>
School administration - Principal	<u>126,783</u>	<u>121,968</u>	<u>4,815</u>	<u>117,124</u>
Business-fiscal services	<u>73,363</u>	<u>87,346</u>	<u>(13,983)</u>	<u>49,849</u>
Operation & maintenance	<u>229,590</u>	<u>219,705</u>	<u>9,885</u>	<u>208,972</u>
Pupil transportation	<u>76,488</u>	<u>72,770</u>	<u>3,718</u>	<u>72,232</u>
Total supporting services	<u>763,280</u>	<u>755,451</u>	<u>7,829</u>	<u>705,801</u>
TOTAL EXPENDITURES	<u>2,299,815</u>	<u>2,235,161</u>	<u>64,654</u>	<u>2,117,290</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>236,218</u>	<u>262,936</u>	<u>26,718</u>	<u>182,090</u>
OTHER FINANCING SOURCES (USES):				
Incoming transfers - other schools	<u>19,000</u>	<u>19,450</u>	<u>450</u>	<u>-</u>
Operating transfer out	<u>(61,957)</u>	<u>(53,726)</u>	<u>8,231</u>	<u>(42,220)</u>
Other outgoing transfers	<u>(55,436)</u>	<u>(53,434)</u>	<u>2,002</u>	<u>(41,262)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(98,393)</u>	<u>(87,710)</u>	<u>10,683</u>	<u>(83,482)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ 137,825</u>	<u>175,226</u>	<u>\$ 37,401</u>	<u>98,608</u>
FUND BALANCE, BEGINNING OF YEAR		<u>(110,520)</u>		<u>(209,128)</u>
FUND BALANCE, END OF YEAR		<u>\$ 64,706</u>		<u>\$ (110,520)</u>

**DOLLAR BAY-TAMARACK CITY AREA SCHOOLS**  
**DEBT SERVICE FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**Year Ended June 30, 2007**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2006</u>
REVENUES:				
Local sources:				
Taxes:				
Current taxes	\$ 314,836	\$ 267,114	\$ (47,722)	\$ 251,626
Interest income	7,285	8,181	896	6,900
Penalties & interest on delinquent taxes	-	336	336	11
TOTAL REVENUES	<u>322,121</u>	<u>275,631</u>	<u>(46,490)</u>	<u>258,537</u>
EXPENDITURES:				
Interest on bonds	196,586	196,585	1	109,652
Other expense	225	-	225	225
TOTAL EXPENDITURES	<u>196,811</u>	<u>196,585</u>	<u>226</u>	<u>109,877</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURE	125,310	79,046	(46,264)	148,660
OTHER FINANCING SOURCES (USES)				
Redemption of bond principal	<u>(110,000)</u>	<u>(110,000)</u>	<u>-</u>	<u>(100,000)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ 15,310</u>	<u>(30,954)</u>	<u>\$ (46,264)</u>	<u>48,660</u>
FUND BALANCE, BEGINNING OF YEAR		<u>103,623</u>		<u>54,963</u>
FUND BALANCE, END OF YEAR		<u>\$ 72,669</u>		<u>\$ 103,623</u>

**DOLLAR BAY-TAMARACK CITY AREA SCHOOLS**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**June 30, 2007**

	School Service	Athletic	Totals (Memorandum Only)	
			2007	2006
ASSETS AND OTHER DEBITS				
Cash	\$ -	\$ 371	\$ 371	\$ 1,384
Receivables	2,999	-	2,999	3,116
Due from funds	-	4,470	4,470	1,020
Due from other governmental units	776	-	776	890
TOTAL ASSETS	<u>\$ 3,775</u>	<u>\$ 4,841</u>	<u>\$ 8,616</u>	<u>\$ 6,410</u>
LIABILITIES				
Accounts payable	\$ -	\$ 4,841	\$ 4,841	-
TOTAL LIABILITIES	<u>-</u>	<u>4,841</u>	<u>4,841</u>	<u>-</u>
FUND EQUITY:				
Fund balance - unreserved	<u>3,775</u>	<u>-</u>	<u>3,775</u>	<u>6,410</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 3,775</u>	<u>\$ 4,841</u>	<u>\$ 8,616</u>	<u>\$ 6,410</u>



**DOLLAR BAY-TAMARACK CITY AREA SCHOOLS**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENTS OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**June 30, 2007**

	School		Totals	
	Service	Athletic	(Memorandum Only)	
			2007	2006
<b>REVENUES</b>				
Local sources:				
Adult lunches	\$ 6,241	\$ -	\$ 6,241	\$ 4,635
Student lunches	22,895	-	22,895	20,818
Miscellaneous	3,170	-	3,170	2,947
Gate receipts	-	12,016	12,016	6,949
Contributions	-	-	-	3,116
Total local sources	32,306	12,016	44,322	38,465
State sources	6,321	-	6,321	7,756
Federal sources:				
School lunch program	61,617	-	61,617	52,236
USDA entitlements	44	-	44	134
USDA bonus entitlements	114	-	114	31
Total federal sources	61,775	-	61,775	52,401
<b>TOTAL REVENUES</b>	<b>100,402</b>	<b>12,016</b>	<b>112,418</b>	<b>98,622</b>
<b>EXPENDITURES:</b>				
Salaries	22,508	20,250	42,758	42,725
Employee benefits	5,895	4,379	10,274	9,449
Purchase services	82,513	12,795	95,308	81,885
Supplies, materials, and other	-	20,439	20,439	6,251
<b>TOTAL EXPENDITURES</b>	<b>110,916</b>	<b>57,863</b>	<b>168,779</b>	<b>140,310</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(10,514)</b>	<b>(45,847)</b>	<b>(56,361)</b>	<b>(41,688)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	12,379	41,347	53,726	42,220
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES</b>	<b>1,865</b>	<b>(4,500)</b>	<b>(2,635)</b>	<b>532</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>1,910</b>	<b>4,500</b>	<b>6,410</b>	<b>5,878</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 3,775</b>	<b>\$ -</b>	<b>\$ 3,775</b>	<b>\$ 6,410</b>

**DOLLAR BAY-TAMARACK CITY AREA SCHOOLS**  
**SCHOOL SERVICE FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**Year ended June 30, 2007**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2006</u>
REVENUES:				
Local sources:				
Adult lunches	\$ 3,800	\$ 6,241	\$ 2,441	\$ 4,635
Student lunches	21,500	22,895	1,395	20,818
Miscellaneous	3,343	3,170	(173)	2,947
Total local sources	<u>28,643</u>	<u>32,306</u>	<u>3,663</u>	<u>28,400</u>
State sources	<u>4,265</u>	<u>6,321</u>	<u>2,056</u>	<u>7,756</u>
Federal sources:				
School lunch program	55,000	61,617	6,617	52,236
USDA entitlements	31	44	13	134
USDA bonus entitlements	134	114	(20)	31
Total federal sources	<u>55,165</u>	<u>61,775</u>	<u>6,610</u>	<u>52,401</u>
TOTAL REVENUES	<u>88,073</u>	<u>100,402</u>	<u>12,329</u>	<u>88,557</u>
EXPENDITURES:				
Salaries	25,990	22,508	3,482	20,648
Employee benefits	6,800	5,895	905	4,937
Purchase services	81,043	82,513	(1,470)	68,770
TOTAL EXPENDITURES	<u>113,833</u>	<u>110,916</u>	<u>2,917</u>	<u>94,355</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(25,760)	(10,514)	15,246	(5,798)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	<u>25,760</u>	<u>12,379</u>	<u>(13,381)</u>	<u>1,830</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ -</u>	<u>1,865</u>	<u>\$ 1,865</u>	<u>(3,968)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>1,910</u>		<u>5,878</u>
FUND BALANCE, END OF YEAR		<u>\$ 3,775</u>		<u>\$ 1,910</u>

**DOLLAR BAY-TAMARACK CITY AREA SCHOOLS**  
**ATHLETIC FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**Year Ended June 30, 2007**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2006</u>
REVENUES:				
Local sources:				
Gate receipts	\$ 18,066	\$ 12,016	\$ (6,050)	\$ 6,949
Contributions	-	-	-	3,116
TOTAL REVENUES	<u>18,066</u>	<u>12,016</u>	<u>(6,050)</u>	<u>10,065</u>
EXPENDITURES:				
Salaries	22,005	20,250	1,755	22,077
Employee benefits	5,588	4,379	1,209	4,512
Purchase services	9,767	12,795	(3,028)	13,115
Supplies, materials, and other	20,111	20,439	(328)	6,251
TOTAL EXPENDITURES	<u>57,471</u>	<u>57,863</u>	<u>(392)</u>	<u>45,955</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(39,405)	(45,847)	(6,442)	(35,890)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	<u>38,021</u>	<u>41,347</u>	<u>3,326</u>	<u>40,390</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	\$ <u>(1,384)</u>	(4,500)	\$ <u>(3,116)</u>	4,500
FUND BALANCE, (DEFICIT) BEGINNING OF YEAR		<u>4,500</u>		<u>-</u>
FUND BALANCE, (DEFICIT) END OF YEAR		<u>\$ -</u>		<u>\$ 4,500</u>

**DOLLAR BAY-TAMARACK CITY AREA SCHOOLS**  
**AGENCY FUND - SCHOOL ACTIVITIES**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**Year Ended June 30, 2007**

	Balance July 1, 2006	Receipts	Disbursements	Balance June 30, 2007
<b>ASSETS:</b>				
Cash	\$ 28,938	\$ 56,330	\$ 58,264	\$ 27,004
<b>LIABILITIES:</b>				
Due to school groups				
Cheerleaders	\$ 131	\$ 0	\$ 0	\$ 131
Class of 2007	4,726	8,714	13,088	352
Class of 2008	4,688	6,124	2,368	8,444
Class of 2009	506	1,440	0	1,946
Class of 2010	271	408	250	429
Athletic Promotions	0	1,786	1,806	(20)
Bill Milde Memorial Fund	162	0	0	162
Student Council	3,680	7,913	7,582	4,011
Yearbook	2,606	6,811	4,563	4,854
Sixth Grade Camp Nesbit	914	5,074	5,131	857
Girls Basketball	68	791	478	381
Boys Basketball	(890)	596	0	(294)
Principal's Discretionary	1	0	0	1
Odyssey of the Mind	363	0	0	363
National History Day	343	2,379	2,183	539
Shop	0	144	0	144
Band	11,224	7,813	15,338	3,699
4 <sup>th</sup> of July	0	500	0	500
SADD	204	227	359	72
Track	0	410	0	410
Miscellaneous	(59)	5,200	5,118	23
Total due to student groups	\$ 28,938	\$ 56,330	\$ 58,264	\$ 27,004



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## **LETTER OF COMMENTS AND RECOMMENDATIONS**

Board of Education  
Dollar Bay-Tamarack City Area Schools  
Dollar Bay, Michigan

In connection with our audit of the financial statements of Dollar Bay-Tamarack City Area Schools, as of and for the year ended June 30, 2007, the following concerns regarding the accounting records, procedures, and internal control structure came to our attention.

Our comments are based upon conditions noted during our audit and are not intended to be all inclusive. These comments are submitted as constructive suggestions to assist you in strengthening controls and procedures and are not intended to reflect on the honesty or integrity of any individual.

### **Public Act 621 - Budget Over Expenditures**

Public Act 621 of 1978, as amended, prohibits expenditures in excess of budgeted appropriations. Instances of violations of these provisions are readily ascertainable from the financial statements and the accompanying information. There were no material overages in the individual budgeted funds.

### **Accounting Policies and Procedures Manual (2<sup>nd</sup> Year Comment)**

We believe it would be beneficial to formulate a complete accounting policies and procedures manual which would document the flow of financial information and set guidelines as to the responsibilities and time lines for the school.

### **Segregation of Duties (2<sup>nd</sup> Year Comment)**

General principles of internal control call for segregation of the functions of recording transactions, authorization of transactions, and custody of assets. The School District's accountant assistant records receipts, deposits the receipts, prepares checks, and reconciles the bank accounts creating a lack of segregation of duties in the receipt and disbursement of accounting data.

We advise that someone independent of the cash receipts and depositing duties trace the written receipts to the bank deposit and bank statement and also prepare the monthly bank reconciliations. At the minimum, the Board Treasurer should review all bank statements.

### **Documentation of Board Proceedings (4th Year Comment)**

The following items should be documented in the board minutes as they occur: transfers of funds and approval of authorized signers and restrictions on accounts.

Disbursement Documentation

During the course of the audit, the staff was unable to locate records to substantiate several transactions, particularly in the Trust and Agency Fund. We recommend that records relating to all disbursements be acquired and retained.

We would like to thank the administrative staff for the cooperation we received during our audit. We appreciate the opportunity to present these comments and recommendations for your consideration and we are prepared to discuss them at your convenience.

It has been a pleasure to provide audit services to the Dollar Bay-Tamarack City Area Schools. Management was prepared for the audit, providing us with all supporting documents requested. Management was friendly, conscientious and very helpful.

We appreciate your business, thank you.

*Bruce A. Rukkila, CPA, PC*

Certified Public Accountants

September 24, 2007